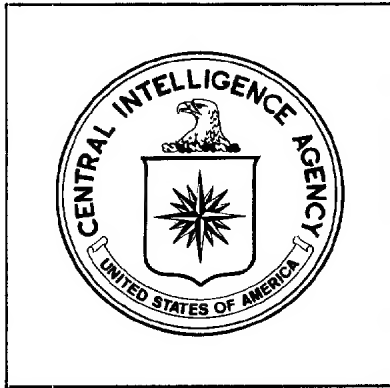


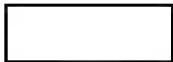
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Latin America

REGIONAL AND POLITICAL ANALYSIS

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This publication is prepared for regional specialists in the Washington community by the Latin America Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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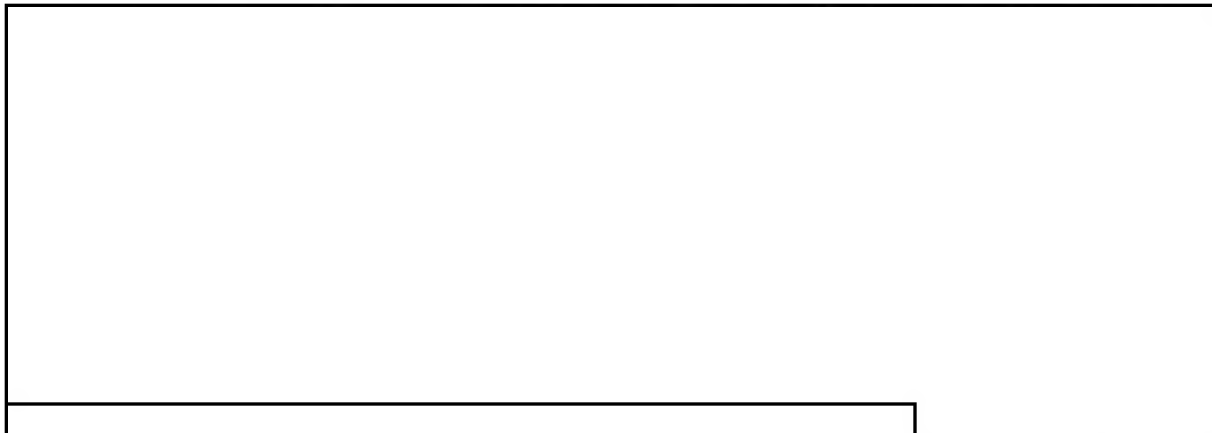


Brazil: Who will Succeed Geisel?

Although President Geisel's term does not expire until March 1979, the issue of presidential succession has already become the subject of political discussion.

Under the ground rules that have existed since the military took power in 1964, the military leaders select a candidate from the ranks of the active or retired four-star army generals. The selection process has varied over the years, and current tensions within Brazil--including the increasingly strident demands by various civilian sectors for a return to democratic rule--suggest that the process of choosing Geisel's successor will be particularly difficult.

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there have been recent newspaper stories that retired General Euler Bentes Monteiro is attempting to build support within the pro-government political party.

While it is too early to identify the most likely presidential candidate, it is possible to indicate the front-runners and to evaluate their current prospects.

One of the strongest contenders is General Sylvio Frota who, as army minister, is senior to the other

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Possible Successors to the Brazilian Presidency



Reynaldo Mello de Almeida



Frota, Sylvio Coehlo da



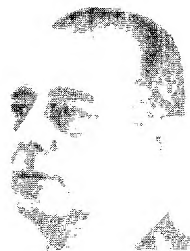
Geisel, Ernesto
President



Euler Bentes Monteiro



Monteiro, Dilermando
Gomes



Figuredo, Joao



Braga, Ney

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four-star generals. Although Frota has been criticized by some hardline military officers for his failure to question presidential decisions that have angered them--particularly those concerning military promotions and security practices--he is believed to share their conservative critical view of Geisel's past efforts to promote political liberalization. Frota is also known for his militant anticommunist stance and has been privately critical of pragmatic foreign policy initiatives such as recognition of the People's Republic of China and early recognition of the Popular Movement in Angola. If the government should continue to move to the right, Frota's candidacy would probably be strengthened.

On the other hand, if Geisel is in a strong enough position to exercise control over the succession, General Reynaldo Metto de Almeida may get the nod. As commander of the First Army in Rio de Janeiro from 1974 to 1976, Reynaldo maintained open lines of communication with Church leaders, politicians, and domestic and foreign journalists. He strongly opposed torture and closely monitored the activities of the local security services to prevent abuses in the treatment of political prisoners.

Reynaldo's current post as minister of the Supreme Military Tribunal, Brazil's highest military court, enables him to retain a prominent and prestigious position within the military hierarchy. Improved economic conditions would probably enhance his political chances and could persuade the majority of the high command to favor policies similar to those followed by Geisel.

General Figueiredo--a dark horse candidate--although only a three-star general, wields considerable influence within the present administration as head of the intelligence service. He draws his support chiefly from the conservative factions of the army and has maintained close ties with former president Medici, whom he served in the cabinet position of chief of the military household. [REDACTED] the strength of his candidacy is growing and that Geisel may now favor him. He cannot receive his fourth star before November 1977, however, and there are 13 generals ahead of him on the promotion list, including the current chief of the military household.

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Another figure who is attracting favorable attention from more liberal military and civilian sectors, including the outspoken *O Estado de Sao Paulo* newspaper, is recently retired General Euler, who until last March headed the Department of War Materiel in the Army Ministry. Euler has had a wide variety of administrative experience. Trained as an army engineer, he served from 1967 to 1969 as the head of the Superintendency of the Department of the Northeast (SUDENE), where he acquired a reputation as populist as a result of his efforts to assist the impoverished people of that region.

He resigned that post two months ahead of schedule in public protest against a federal cutback in financial assistance, which he claimed prevented him from doing his job. Euler is also noted for his nationalist posture in foreign affairs, especially on bilateral disputes with the US. His star, however, could fade if Geisel does not appoint him in the near future to a high government position.

The other four-star general who deserves mention is General Dilermando Gomes Monteiro. A close friend of President Geisel, he achieved national prominence when Geisel appointed him to command the Second Army in Sao Paulo, having fired his predecessor for allowing two civilians to die while under military detention. Dilermando, however, has been severely criticized in recent months for his "soft" attitude toward subversion; his political future appears dim, because of the heightened official concern with student agitation which has recently spread throughout Brazil.

If the high command should decide to choose a civilian--a highly unlikely development at this time--the leading contender would be Minister of Education and Culture Ney Braga, who is both a prominent politician and a retired brigadier general, having served in the army for 20 years before becoming, in succession, a mayor, national senator, and governor of Parana State. Ney Braga was recently credited with a surprise victory for the pro-government party in the nationwide municipal elections last fall, and Geisel appeared with him on national television to announce the results.

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Obviously, the selection process will not be an easy one. A prolonged debate or, at worst, an impasse between President Geisel and the other generals could threaten unity within the military--the country's most significant political institution--and thus disrupt Brazil's political stability.

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Press Censorship, An Issue in Brazil

A "manifesto" signed by more than 2,500 Brazilian journalists calling for an end to press censorship--obviously calculated to embarrass the government--could provoke more repressive action, especially at a time when many government and military leaders believe that student dissidence is becoming a subversive problem that must be eliminated.

The issue of freedom of the press in Brazil is a confusing one, in large measure because the Geisel government has never clearly defined its attitude toward public criticism. While some newspapers undergo pre-publication censorship and have even been shut down, others have been given generous rein to criticize specific actions and policies of senior officials, including the President. The only caveat--which applies to all Brazilians--is that they cannot denounce the armed forces or the legitimacy of the military-backed government. To do so usually results in the swift suspension of political privileges.

In January over 1,000 Brazilian intellectuals presented a petition to Minister of Justice Armando Falcao, under whose jurisdiction the censors operate, urging the elimination of censorship. Falcao rejected the appeal, arguing that censorship is necessary to defend Brazil from "immoral influences." He also intimated that he was under strong pressure from groups he failed to name to increase censorship.

Since then heavy-handed moves by President Geisel to undermine the growing influence of the country's only legal opposition party have spawned rumors that his relatively liberal approach to press censorship was at an end. While no overt moves have been taken to muzzle "legitimate" press criticism, there are indications that one of Brazil's most important and prestigious newspapers, *O Estado de Sao Paulo*, has undergone a major editorial shift at the same time it is experiencing financial difficulties. Approximately 30 members of the editorial

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staff have been dismissed since early May along with 500 plant workers--including Mario Cunha, a senior editor who has long been known for his leftist connections. Meanwhile control of the paper has passed from Julio Mesquita, a political moderate, to his younger, more aggressive brother, Rui Mesquita.

With the management realignment, *O Estado* has obviously become more conservative in its editorial approach to the issue of student protests--from June 3, when it suggested that the students were reflecting urban middle-class values, to June 7, when it found communists dangerously influencing the demonstrations. On May 29, an editor of another Sao Paulo newspaper published an attack on *O Estado* stating that the Mesquita family was purging liberal and left-wing writers using the financial crisis as its excuse.

The reasons for the editorial changes at *O Estado* are certainly not clear, but it could well be that financial and political considerations have persuaded its owners to take a softer line toward controversial subjects. Their attitude could also have been influenced by the experience of another major newspaper, *Jornal do Brasil*, which early this year was denied access to government press releases after it had severely criticized several actions by President Geisel.

In its latest move, the government has forbidden any mention of the petition against censorship on Brazilian radio or television. Most newspapers, however, have carried articles on the subject and *O Estado* published the full text along with an editorial that noted "conditions are much better with respect to censorship than they were three or four years ago. Happily, we have today relative freedom of the press."

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Mexico: Border Industry Rebounds

After two years of depressed activity due to soaring Mexican wages, the US recession, and political uncertainty, the Mexican border industries are again expanding. The sharp drop in relative labor costs resulting from peso depreciations, higher US consumer demand, and firmer support from the new Lopez Portillo administration are expected to boost real output and employment in these industries 15 to 25 percent this year.

The Border Industry Program

The border industry consists largely of US-owned, labor-intensive manufacturing plants operating under special tariff concessions. Factories participating in the program produce various articles from imported US components. Assembled goods--70 percent electric and electronic and 10 percent wearing apparel by value--are mainly sold to the US. The program takes advantage of sections 807.00 and 806.30 of the Tariff Structure of the United States (TSUS), which limits US tariff duties to the value-added abroad for reimports of US goods exported for assembly or further processing.

Initiated in mid-1966 by the Mexican government, the program is designed to reduce the serious border unemployment aggravated by termination of the *bracero* program on December 31, 1964. (The *bracero* program, which allowed Mexicans to cross the border for seasonal farm work, employed as many as 170,000 workers in the early 1960s.) Following the lead of several Southeast Asian countries, the Mexican government granted incentives to stimulate development of a border industry. Border firms were exempted from Mexican import duties on material inputs and equipment;

Mexico: Employment by
the In-Bond Program¹

Thousand Persons	
1967	2.5
1968	7.0
1969	14.0
1970	23.0
1971	28.0
1972	43.0
1973	58.0
1974	75.0
1975	70.0
1976	73.0
1977 ²	85.0

¹Estimated average numbers employed.

²Projected.

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legislation setting minimum shares on inputs that must be of Mexican origin; and legislation requiring a degree of Mexican ownership. In addition, the firms--regardless of ownership--were accorded all privileges normally granted domestic-owned companies.

Early growth of the program was impressive, with real value of border industry exports increasing at an average rate of more than 65 percent per year through 1974. Although operations were initially restricted to a 20-kilometer-wide zone along the Mexican border, since late 1972 "border" firms have been allowed to locate in the interior of Mexico. Though still dominated by firms located on the US border, the program is now officially termed the "in-bond" industry program.

Depressed Activity 1975-76

The program was hard hit in 1975-76. Real output and employment fell about 10 percent in 1975 as the US recession cut demand and sharply higher Mexican wages raised operating costs. Although the US recovery spurred output during the first half of 1976, uncertainties associated with the last months of the Echeverria administration stifled growth in the second half; for the year as a whole, real output and employment remained 5 percent below 1974 levels. Mexican costs calculated in US dollars rose almost 50 percent faster than corresponding US labor costs between 1973 and August 1976, when the peso was devalued.

As relative wage increases in Mexico accelerated, several US firms discontinued foreign in-bond operations or shifted to lower cost countries in Latin America. Haiti and El Salvador, which have cut labor costs relative to those of the United States during the last 10 years, increased exports under TSUS 807.00 from \$33 million in 1973 to \$134 million in 1976. Their in-bond exports as a percent of Mexican in-bond exports rose from 5 to 12 percent. Ten other Central American countries as well as Brazil and Columbia have increased in-bond operations in recent years, although thus far on a smaller scale than

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Real Average Hourly Labor Costs in Manufacturing

	1967 US \$				
	1967	1970	1975	1976	1977 ²
Brazil	0.25	0.26	0.40	0.42	0.42
El Salvador ³	0.22	0.21	0.22	0.21	0.21
Haiti ³	0.19	0.15	0.13	0.13	0.13
Hong Kong	0.23	0.34	0.28	0.29	0.29
Mexico ³	0.40	0.48	0.60	0.60	0.45
South Korea	0.14	0.25	0.27	0.35	0.35
Taiwan	0.18	0.20	0.29	0.33	0.33
United States	1.95	2.10	1.94	2.00	2.00

¹ Deflated by US wholesale prices of manufactured goods, 1967 = 100.

² Projected

³ Estimated by spot wages with growth assumed equal to increase in legal minimum wages.

Haiti and El Salvador. Since labor costs in most South-east Asian countries have kept pace with Mexican rates, in-bond production in those countries has not expanded relative to that of Mexico.

Outlook for 1977

This year, sharply lower relative wages, increased US consumer demand, and greater political certainty will boost in-bond real output and employment in Mexico by about 20 percent. We expect exports of in-bond assembled goods to reach \$1.5 billion this year and employment to reach 85,000.

Last fall's peso float and subsequent 45-percent depreciation have largely recaptured the relative advantage of low Mexican wages for the in-bond industry. Since wage demands also have been greatly restrained this year, we expect Mexican labor costs to be 25 percent less than in 1976 when compared with those of the US.

Demand for in-bond output will jump because of expected strong growth of the US economy. Japan's recent agreement to cut TV sales to the US by 40 percent starting July 1, 1977 will further increase demand for sets and

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component parts assembled in Mexico. Thirty percent of all in-bond output is directly associated with assembly of television sets and components.

In contrast to the attitude of former president Echeverria, who periodically expressed serious reservations about in-bond exemptions from regulations requiring domestic control of firms operating in Mexico, President Lopez Portillo firmly supported expansion of the program. With the threat of economic restrictions greatly mitigated, US manufacturers are again increasing their investments.

Increased in-bond activity will boost value-added by the industry from \$536 million last year to an estimated \$647 million, contributing at least an additional \$100 million to Mexican foreign exchange earnings. During the first quarter of 1977, in-bond exports were up almost 7 percent from the first quarter 1974 peak.

Higher in-bond production will create approximately 12,000 new jobs. With an expected 800,000 new entrants to the labor force this year and combined national unemployment and underemployment approaching 50 percent, however, expansion of the in-bond program may attract more labor to the border areas than can be absorbed. Thus, while border prosperity will increase, the expected influx of frustrated labor to the area may increase illegal immigration to the US.

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El Salvador: Terrorist Activities

Despite a massive government crackdown following the murder of the foreign minister last month by terrorists, guerrilla activity and government violence continue unabated in El Salvador. The current state of siege is likely to be extended beyond the July 1 inauguration of the new president.

The abduction and murder of the foreign minister by the Popular Liberation Forces (FPL) appear to have been just the beginning of a more intense guerrilla campaign.

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Last week, FPL terrorists killed two national guardsmen and one national policeman. At the same time, Guatemala's Poor People's Guerrilla Army (EGP) kidnaped, and later released, the Salvadoran ambassador "in solidarity with the struggles of the Salvadoran people..."

The Salvadoran government has responded with massive counterinsurgency operations. Last month, the armed forces mounted an airborne/ground operation against 2,500-3,000 peasant squatters who had seized three *haciendas* in April demanding long-promised agrarian reform. The seizures were organized by three leftist groups suspected of collaboration with the FPL. In the ensuing search for the leaders, six FPL members were killed by security forces. Last week, eight other FPL members were also killed during a clash with security forces.

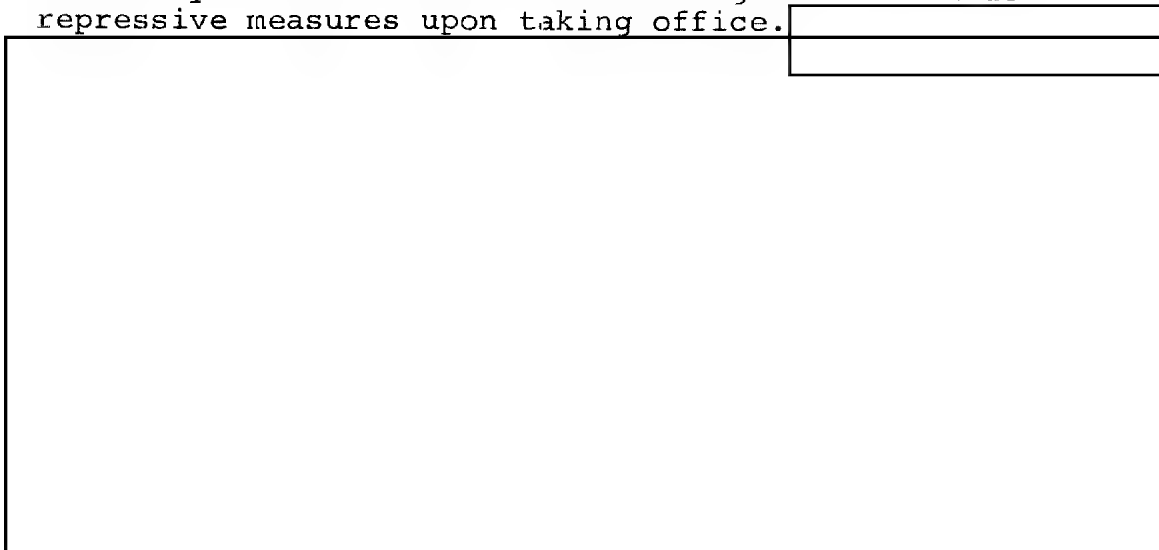
The government's measures have aggravated the already strained relationship with the Catholic Church. Acting on police reports of cooperation between certain leftist priests and the FPL, three foreign Jesuit priests were expelled from the country last month. A Salvadoran priest was also arrested and physically abused by the authorities.

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President-elect Romero, a law-and-order hardliner, is likely to extend the state of siege and continue repressive measures upon taking office.



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Netherlands Antilles: Staten Election

1
2 Prime Minister Juancho Evertsz faces an uphill battle in his effort to retain power in the June 17 Staten election. At issue is a challenge to interisland unity and the outside possibility of the replacement of the present right-of-center government by one favorable to a more leftist course at home and a third world orientation abroad. The most likely outcome of the election, however, is the formation of another middle of the road coalition.

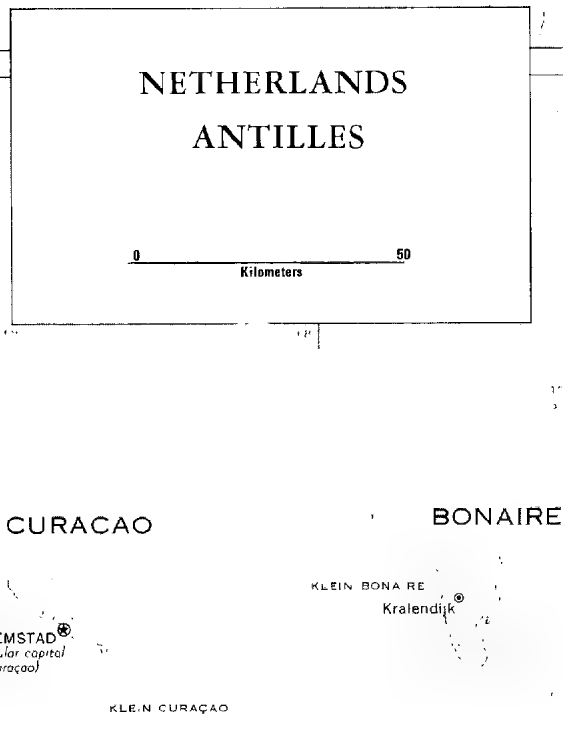
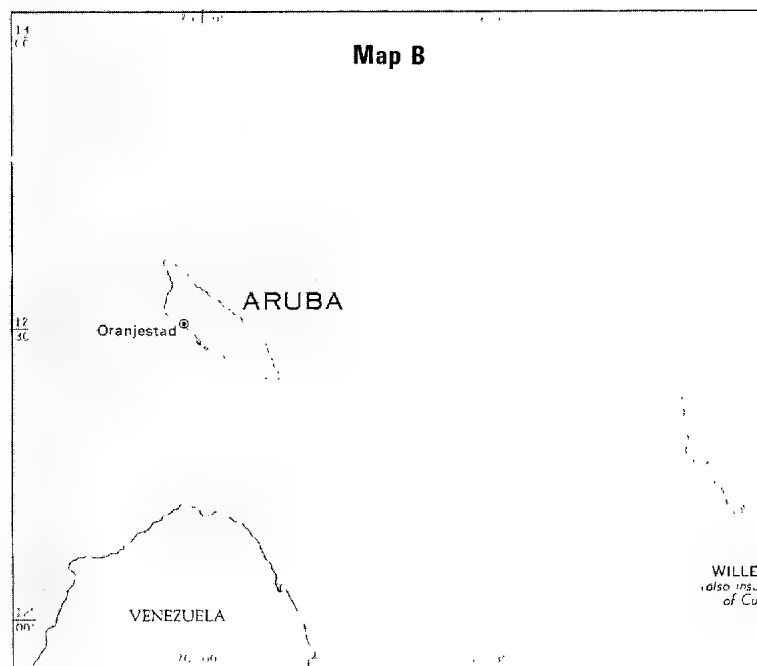
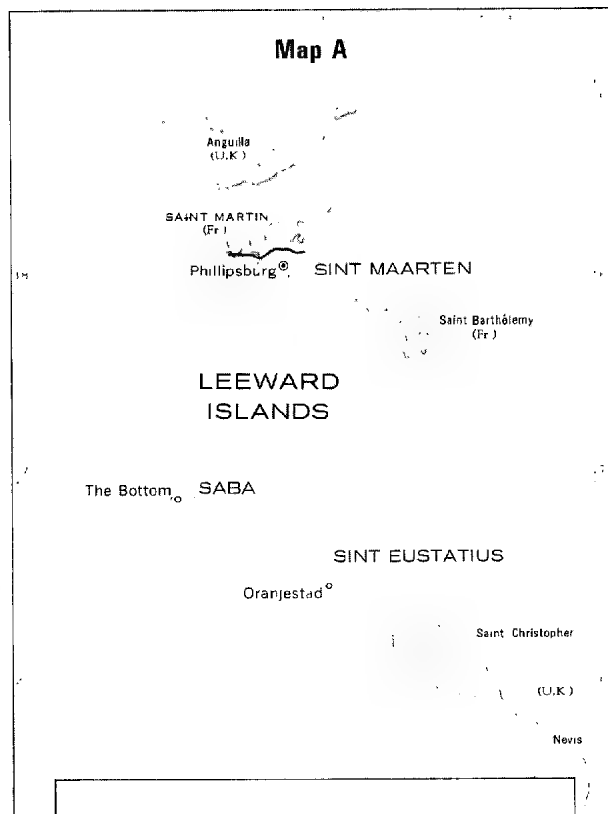
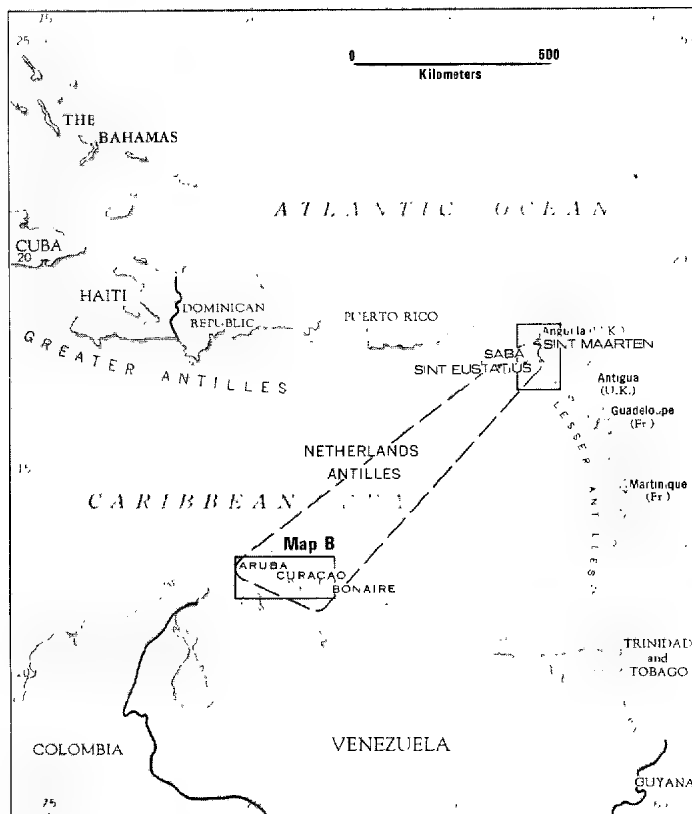
The Netherlands Antilles has had full autonomy in domestic matters since 1954, but its defense and foreign relations are the responsibility of Holland. Though the Netherlands Antilles comprises six islands--Aruba, Curacao, Bonaire, St. Maarten, St. Eustatius, and Saba--nearly 90 percent of its 240,000 inhabitants are concentrated on Curacao and Aruba. These two islands are politically dominant, accounting for 20 of the Staten's 22 seats. The popular base of political parties seldom extends beyond a single island; coalitions are fashioned from among these parties to form a national government.

Curacao

1
2 Competition for Curacao's 12 Staten seats pits Evertsz' United National People's Party (NVP-U) against two major competitors, the Workers' Party of Liberation (FOL)--one of the Prime Minister's major coalition partners for the last year and a half until they split earlier this week--and the Democratic Party (DP). The NVP-U, whose major appeal is to the middle class and business community, has lost ground to the FOL since the last Staten election in 1973 when Evertsz' party won five seats to three for the FOL. In the 1975 Curacao island council elections, the FOL got two more seats than any other party in winning 36 percent of the vote. Because of the economic slump over the past several years as well as the lack of a vibrant political organization,

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it appears likely that the NVP-U's dominant position will be seriously challenged by the FOL as well as by the Democratic Party.

2 The FOL is led by the Netherlands Antilles' most colorful politician, Wilson "Papa" Godett, who has been minister of labor and social affairs for the last year and a half. A former longshoreman with little formal education, the 45-year-old Godett has a strong appeal to the working class of Curacao, especially the dockworkers. He is an open admirer of some aspects of the Cuban revolution, but his own philosophy seems to be more populist than orthodox Marxist. Evertsz has made much of Godett's affinity with the Castro regime during the campaign and has even alleged--without offering proof--that the 4 Cubans are helping to fund the FOL campaign. Godett's participation in the Evertsz government may have eroded 6 his popularity, but he has been busy recently dispensing patronage and government largesse in order to strengthen his ties with labor.

1 The third major party in Curacao, the Democratic Party, may be the real winner. Headed by S. G. M. Rozendal, it competes with the NVP-U for the middle class vote but also attracts some labor support. It won only one seat in the 1973 Staten election, but is expected to make a much stronger showing this time. Should the Democratic Party win as many as 4 or 5 seats--a not 2 unlikely possibility--it would be in a good position to form a new centrist coalition with the NVP-U and one of the Aruban parties. Whether Evertsz or Rozendal would become the new prime minister would depend on the NVP-U's showing.

Aruba

2 The contest on Aruba also finds three major parties competing for that island's 8 Staten seats. The strongest appears to be the People's Electoral Movement (MEP), which won 5 seats in the 1973 Staten election. Led by a demagogic firebrand, Gilberto "Betico" Croes, the party has energetically pushed for Aruba's independence from the rest of the Antilles federation. To cap its campaign of "status aparte," the MEP sponsored a referendum in March on Aruban separatism. Nearly 84 percent of those

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who turned out voted in favor of independence for Aruba. They represented some 57 percent of eligible voters. Croes has labeled the current Staten campaign a "final push to realize independence for Aruba."

Croes has capitalized on the widespread belief among Arubans that they are subjugated by Curacao. The March referendum demonstrated that Arubans generally favor revisions in the existing federation. The other Aruban parties--some of which supported the referendum only reluctantly--take a more moderate stance, and the manner in which the island should approach a separate status has become a major campaign issue.

The MEP demonstrated its strength in the 1975 island council election by gaining twice as many seats as its nearest competitor. The party's position probably has been eroded since then, however. Arubans are aware that Croes' brand of Aruban separatism is strongly opposed by the Netherlands and that Croes has been cold-shouldered in his efforts to muster support for his cause in various countries in Latin America. Moreover, Croes' intransigence has caused senior party leaders to defect and to create a new party, the United Reformists for the Welfare of Aruba (RUBA), or to join existing organizations.

The campaign in Aruba has been bitterly fought. MEP supporters have attacked the headquarters of its strongest rival, the Aruban Patriotic Party (PPA), and Croes has said that the headquarters will have to remain closed. If, as expected, RUBA cuts into the MEP's voting strength, the pressure for immediate independence of Aruba is likely to abate.

A strong showing by the FOL and the MEP could lead to the formation of a coalition that would bring significant changes to the Netherlands Antilles. This remains only a remote possibility, however, since none of the other parties seems willing to join such a coalition. Widespread fear of Godett will probably prevent him from heading the new government and ensure that another centrist coalition will come to power.

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Trinidad and Tobago: Dissension in the ULF

A clash over party policy has paralyzed the United Labor Front (ULF), which became the country's major opposition party following last year's national election. The falling out was caused by the determination of a group of conservative East Indian legislators to restrict the influence of a group of black pro-Marxist senators appointed by party leader Basdeo Panday. The East Indian legislators have threatened to leave the party unless Panday withdraws his support for the radical senators' ideological line.

The conflict has split the alliance of East Indian politicians, who represent Trinidad and Tobago's conservative sugar cane areas, and radical Marxists, who are primarily university intellectuals and lawyers based in black-dominated industrial trade unions. It has jeopardized Panday's plan to transform the ULF into a political organization based on the country's two largest industries, sugar and oil.

As part of his efforts to attract black oil workers to the ULF and to challenge Prime Minister Eric Williams, Panday had made concessions to the black Marxist senators, giving them a key role on the party screening committee that selects party candidates for local elections. This move alienated the East Indian legislators because they fear that the party's move toward a Marxist, anti-white, anti-imperialist ideology would scare away their traditionally conservative constituents, the East Indian cane cutters. The legislators were particularly incensed because the screening committee rejected all the candidates they submitted for the last local election. In an angry confrontation, the conservatives told Panday that they would resign unless he rectified the situation.

The conservative legislators, alleging that Panday is opportunistically looking ahead to a bid for prime minister, have already selected their own party leader

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25X1 candidate. They apparently favor Raffique Shah, leader of the Island-Wide Cane Farmers Association (IWCF). They probably prefer Shah, the only elected legislator on the screening committee, because they feel he would be more responsive to their interests than Panday has been. Shah stayed in the background during the early stages of the confrontation between conservatives and the party leader, but later joined them in the resignation ultimatum.

The conservatives' turn to Shah for leadership is ironic since he appears to also have good connections with the party's radical senators, as a result of his own militant opposition to Williams' government. In 1970, Shah was jailed by the government on charges of treason for leading a mutiny of army troops ordered to suppress a large black power demonstration in Port of Spain. In 1973, while rebuilding the IWCF, Shah became friendly with George Weeks, the leader of the Oil Workers Trade Union and ULF senator, and other Marxist-oriented personalities. Shah, Panday, and Weeks in 1975 used a spate of labor disturbances in the sugar and oil industries as a springboard to form the ULF alliance.

Shah traveled with Weeks to Havana in May, and the two men are to continue to Warsaw for a meeting of the Soviet Union - dominated World Peace Council. It appears that Shah has played down sufficiently his radical Marxist proclivities to retain the support of the East Indian sugar workers and to get the conservative legislators to reject Panday in his favor.

The conservative legislators will probably force a showdown at the next party meeting by demanding a vote of no-confidence in the party leader. Panday has said that he will try to mollify the conservatives by dismissing some of the radicals. Shah, however, will probably insist that Panday resign as party leader. At a minimum he will demand that Panday agree to the elected legislators having a majority voice in selection of senators. The radical faction may temporarily go along with Shah in the hope that they can later persuade him to support their aims.

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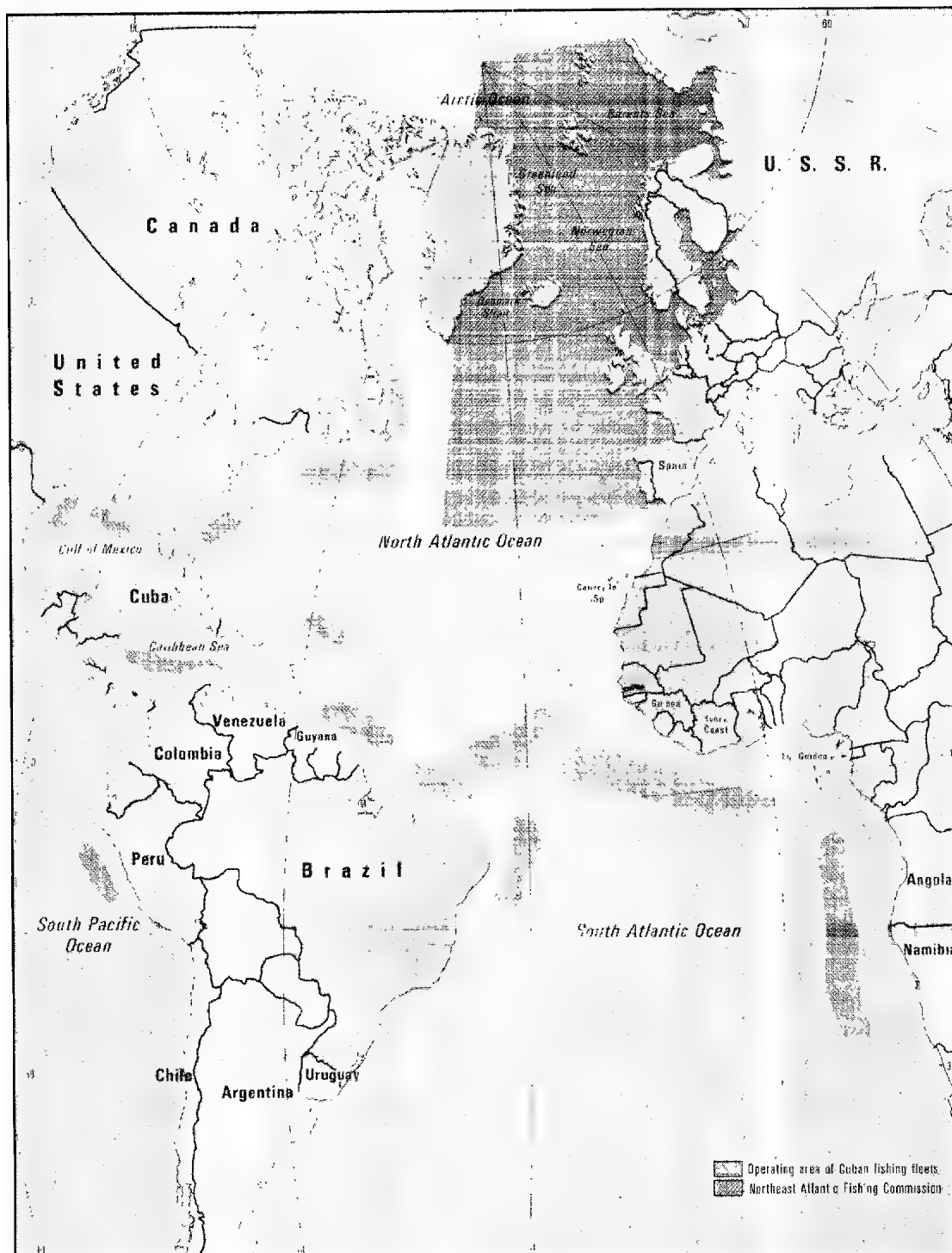
The extent of internal conflict in the ULF after just two years of existence is evidence that the excitement of the 1976 election and the solidarity between the East Indian and the black leaders has dissipated. The hard fact facing the ULF alliance is that the party's dominance over the other opposition parties in Trinidad and Tobago is due to the votes from the East Indian cane farming and sugar estate areas. The presence of black trade union leaders in the alliance did not induce significant numbers of black oil workers to vote for the ULF. Even if Panday relinquishes leadership in the interest of party unity, the alliance must demonstrate that it is responsive to an essentially conservative constituency before it can achieve a large enough expansion of the party's electoral base to challenge Williams.

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Cuban Fisheries



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Cuba: Growth of the Fishing Industry

When Fidel Castro came to power in 1959, primitive operations typified Cuba's fishing industry. Most fishing was off the island's southwest coast and only a few aged schooners plied the choppy waters of the Gulf of Mexico. All told, about 10,000 Cubans were engaged in fishing as an occupation, using 2,500 to 3,000 small wooden boats.

In early 1959, Cuba nationalized all commercial fishing and brought the scattered cooperatives under direct government control. Castro announced in 1962 that "We are working on a fishing development program to catch hundreds of millions of pounds." He implemented his program through creation of the National Fishing Institute (INP) in 1963, thus paving the way for complete institutionalization; control was assured by appointing members of the Central Committee of the Communist Party as director and deputy director. In December 1976, the powers and functions of the INP were assumed by the Ministry of the Fishing Industry.

Improved techniques and modern equipment now enable Cuban fleets to catch several times as much with only 50 percent more fishermen than in 1958. About 15,000 Cubans are directly engaged in fishing, with some 20,000 more employed in support of the industry--all of it controlled by the Cuban government.

Cuba's Fish Catch
(1,000 metric tons)

1958.....	21.9
1960.....	31.2
1965.....	40.9
1970.....	105.3
1975.....	143.0

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The Fleets

Today there are seven state-controlled fishing fleets, each assigned an annual quota and an area in which to operate. The distant water fleets have become competitive with the most modern fishing fleets in the world. One fleet, La Flota Cubana de Pesca, caught more than half the total Cuban fish tonnage for 1974.

The second largest fleet, La Flota de la Plataforma, operates from ports along the north and south coasts of the island. All important ports are equipped with ship repair, canning, freezing, and distribution facilities. Using about 2,000 vessels of various types, this fleet caught nearly 58,000 tons of lobster, bonito, shrimp, and other marine species from the waters of the continental shelf in 1974.

Although the tonnage of fish caught by the distant-water fleets far surpasses the rest, the value of shellfish caught by the shelf and shrimp fleets is greater. In 1974, INP listed the value of exports of shellfish (mainly lobsters and shrimp) at \$47.8 million, of tuna at \$9.3 million, and of other fish at \$3.4 million.

Soviet Support

Early in the 1960s, the establishment of a communist regime in Cuba provided an opportunity for Moscow to develop a base where Soviet vessels could be serviced, frozen catch stored, and crews debarked for rest and recreation. As contacts between the two countries increased, it became clear that the Soviet Union was also willing to help in modernizing and expanding Cuba's own fisheries.

In 1962 the USSR formally agreed to construct a large fishing port at Havana. The Soviet government supplied financial support of \$35 million and technical assistance, while the Cubans supplied the labor force and locally available equipment and materials. The Cubans are repaying the loan by servicing Soviet fishing vessels. The new port was completed in 1966 and is still by far the most important fishing complex on the island.

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The Soviet Union continues to support the Cuban fishing industry with loans, equipment, and technical assistance. Many of the parts, including motors, that go into Cuban-built fishing vessels are of Soviet manufacture. In addition, young Cubans continue to receive instruction in navigation, fisheries, and port operations.

Other Foreign Support

The Japanese have also been instrumental in the rapid growth of the Cuban fisheries program. Japanese aid began in the latter days of the Batista regime, when Tokyo was seeking new fishing areas close to the lucrative US tuna market. After the revolution, Japan was eager to reaffirm its trade and assistance agreements with the Castro regime.

Subsequently, Cuba purchased five Japanese tuna trawlers at a total cost in excess of \$2 million. Japan supplied technicians and skippers to serve aboard the ships when it was realized that the Cubans knew nothing of tuna fishing. Japanese assistance has continued into recent years. For example, in 1973 Japan completed construction of a 5,000-ton-capacity cold storage and freezing plant at Santiago de Cuba.

The Cubans have also been offered easy terms by Spain, East Germany, and Italy to enable them to purchase trawlers, refrigerator ships, and other fishing boats.

Extension of Operations and Influence

Cuba's fishing industry has now reached a level of proficiency that permits the Cubans to offer assistance to other developing countries. In exchange for material aid and technical assistance, Cuba has gained access to new fishing grounds and to shore-based facilities for its fleets.

Cuban freezer trawlers entered the southwestern Atlantic in 1966 to fish off Argentina. With the close cooperation of the Soviet Union, successful operations were carried out in this area until a 1967 Argentine law extended fisheries jurisdiction to 200 miles. When Brazil and Uruguay followed suit, it abruptly ended

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Cuban fishing off their coasts as well. But farther north, the Cubans have gained greater cooperation. An agreement with Guyana, reached in 1972 and updated in 1974, allows Cuban fishing vessels to operate off Guyana. The agreement also calls for the joint development in Guyana of a fishing complex.

Under a 1962 agreement on Soviet-Cuban cooperation in fishing research, Cuba obtained valuable information on the fishing potential of African waters. Actual expansion of Cuban fishing into the eastern Atlantic began in 1966 when Cuba bought a ship from Spain and was subsequently permitted to use Las Palmas in the Canary Islands as a base. Cuban exploration and fishing have now been extended along the entire western coast of Africa.

Demands for the termination of port privileges for fishing fleets of communist countries appeared in the South African press after the Cuban intervention in Angola, and further difficulties are expected this year when the South African government extends its fisheries jurisdiction to 200 miles. The Angolan government has already established a 200-mile exclusive economic zone, but fisheries cooperation agreements allow access to Cuban boats.

In July 1976, Cuba announced its interest in joining the Northeast Atlantic Fisheries Commission, which controls fishing in the eastern Atlantic from the Arctic to Portugal. Access to the area would permit the exploitation of abundant schools of cod, herring, and mackerel. Cuba has not yet been admitted because of objections from members, especially the UK.

Expansion of Cuban fleets into the eastern Pacific was facilitated by a 1971 fisheries aid agreement with Chile, but the agreement was terminated with the fall of Allende in 1973. Peru permitted Cuban trawlers to operate in its fishing zone after July 1973. A 1975 agreement provided that Cuba conduct joint operations using Cuban vessels, provide fish products for Peru's internal market, and train Peruvians in fishing operations.

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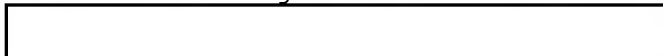
Outlook

Although still a small industry in world terms (48th), Cuba now stands in eighth place in Latin America and substantial increases will probably continue. The Cuban government ranks fish as its fourth most important foreign exchange earner--after sugar, nickel, and tobacco--and the most stable. Cuba is still overwhelmingly dependent on sugar, but considering the drop in sugar prices and production during 1976, the fishing industry may well be an increasingly significant factor in diversifying the economy.

Domestic fish consumption is being stimulated by improved processing and preserving facilities. Per capita consumption rose from 4.8 kilograms in 1958 to 10.7 kilograms in 1974 and is expected to continue to rise.

Cuban technical aid to the fishing industries of newly developing countries in Africa and elsewhere will also probably continue to expand, thus helping to extend and strengthen Cuba's influence in the third world.

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